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BAUCUS LOOKS TO SIMPLIFY TAX CODE TO IMPROVE COMPLIANCE, FAIRNESS

<u>Finance Chairman Aims to Make Code Less Complicated for Taxpayers,</u> Reduce Tax Dollars Owed But Not Paid

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) convened a hearing today to address the relationship between the complexity of the tax code and the \$345 billion annual "tax gap," or the amount of taxes owed that go unpaid each year. Baucus said that as the tax reform process moves forward, it should include an effort to simplify the code and make compliance easier as a means of narrowing the gap.

"The tax code has grown far too complex, and it's becoming much too difficult for honest Americans to calculate and pay their tax bill," said Baucus. "We should make determining a taxpayer's responsibility as easy as possible so we are able to collect more of the \$345 billion in taxes that are owed but unpaid each year. Especially in these tough economic times, \$345 billion is far too much to waste. A simpler tax code will ease the burden of compliance on honest Americans and help them meet their responsibilities."

At the hearing, Baucus discussed the problems caused by the tax code's increasing complexity and how that contributes to the tax gap. According to the IRS, he noted, taxpayers and businesses spend more than six billion hours each year complying with their tax responsibilities. And the Taxpayer Advocate added that if those six billion hours were dedicated to a given industry, it would be one of the largest in the U.S., and it would employ more than three million full-time employees.

Baucus asked whether the complexity of the tax code discourages compliance and to what extent it contributes to the tax gap by making it hard for taxpayers to calculate their bill accurately. He also discussed the importance of equipping the Internal Revenue Service (IRS) with the right technology to help it identify errors on returns and minimize audits. Baucus asked what kinds of changes would need to be made to the tax code to reach a goal of a 90 percent voluntary compliance rate by 2017, and he reiterated his commitment to easing the demands of compliance on taxpayers.

The Finance Committee began its examination of the code last September with a review of the lessons of the 1986 Tax Reform Act and considered historical trends in income and revenue last December. More recently, the Committee held hearings to discuss options to simplify tax administration and ease filing burdens for individuals and businesses, to look at changes to the tax environment over the last two decades, to consider whether the tax code could do more to incentivize economic growth and job creation and to examine ways to increase how much people respond to specific tax incentives for individuals and businesses. Watch today's and all past hearings and view witness testimony on the Committee website at http://finance.senate.gov/hearings/.